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FM AMEMBASSY TOKYO  
TO RUEATRS/TREASURY DEPT WASHDC  
RUEHC/SECSTATE WASHDC 8549  
RHEHAAA/NSC WASHDC  
INFO RUEHFK/AMCONSUL FUKUOKA 8184  
RUEHNH/AMCONSUL NAHA 0528  
RUEHOK/AMCONSUL OSAKA KOBE 1997  
RUEHKSO/AMCONSUL SAPPORO 8683  
RUCPDO/DEPT OF COMMERCE WASHINGTON DC

C O N F I D E N T I A L TOKYO 000027

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TREASURY FOR DOHNER, WINSHIP, FOSTER  
STATE FOR E, EEB AND EAP/J  
NSC FOR DANNY RUSSELL AND JIM LOI  
STATE PASS TO USTR FOR AUSTR CUTLER, BEEMAN, LEE AND  
HOLLOWAY

E.O. 12958: DECL: 01/06/2020

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SUBJECT: HATOYAMA ADMINISTRATION FACES IMMINENT RESIGNATION  
OF FINANCE MINISTER FUJII

Classified By: DCM James P. Zumwalt, reasons 1.4 (b) and (d)

¶1. (C) The four-month old Hatoyama Administration will face its first Cabinet departure with what appears to be the imminent resignation of Finance Minister Hirohisa Fujii. Fujii, 77, was admitted to the hospital on December 28 for exhaustion and high blood pressure following the compilation of the FY2010 regular budget. Though Fujii left the hospital to attend Cabinet meetings on December 30 and January 5, he also met with Prime Minister Yukio Hatoyama on January 5 to discuss his health condition. Though both Hatoyama and Fujii have stated publicly they are waiting for Fujii's final medical test results before reaching a "conclusion," Japanese media have widely reported that Fujii intends to step down.

¶2. (C) The key impediment to finalizing Fujii's resignation announcement seems to be the search for a successor. Fujii's knowledge of the budget process will be particularly hard to replace (he served in the Budget Bureau of the Ministry of Finance earlier in his career). The Finance Minister will have to personally defend the Hatoyama Administration's FY2009 supplemental budget as well as the FY2010 regular budget in Diet deliberations starting later in January. Diet discussion of the former should take about a week total, but discussion of the latter could take up to a month in each house. This is less an issue of votes (the coalition of course has a majority in both houses) than skillful execution in the face of hostile and knowledgeable LDP critics during publicly televised proceedings.

¶3. (C) Hatoyama will need to coordinate on the selection among the coalition parties and within the DPJ itself, particularly DPJ Secretary General Ichiro Ozawa. Fujii's departure may be privately welcomed by Ozawa, who is rumored to have opposed Fujii's Cabinet appointment. Fujii was one of very few people who was not afraid to openly challenge Ozawa, calling for him to relinquish his position as President of the DPJ due to financial scandals last spring. Administrative Reform Minister Yoshito Sengoku has solid knowledge of the budget process but has long been at odds with Ozawa; Sengoku stated on January 6 that "there is a 99.9 percent chance" he will not succeed Fujii. Senior Vice Minister of Finance Yoshihiko Noda is also knowledgeable about the budget process, and is among the most senior DPJ politicians not to get a Cabinet post, but is rumored to be on poor terms with Ozawa. Other potential candidates include Deputy Prime Minister Naoto Kan, Senior Vice Minister of Finance Naoki Minezaki, and Minister of Economy, Trade, and

Industry Masayuki Naoshima. Hatoyama's insistence in September that key Cabinet positions be filled by Dietmembers would seem to rule out former Ministry of Finance Vice Minister Eisuke Sakakibara, who is close to Ozawa but currently in academia.

COMMENT

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14. (C) It is worth recalling that Fujii was added to the DPJ's proportional representation list very late in the electoral process, as the DPJ judged his economic experience and credibility indispensable. Fujii himself has often spoken of his reluctant agreement to serve again as Finance Minister after an earlier 1993-94 term as his "last public duty." His likely premature departure from the Cabinet will leave a big gap for the DPJ to fill.

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